Annual report 2016

Content

The Glamox Group

Glamox is a Norwegian industrial group that develops, manufactures and distributes professional lighting solutions for the global market. The Glamox Group is a leading supplier to the world's marine and offshore markets, and a significant supplier to the professional building market in Europe. The Group is organized with Glamox AS as the parent company.

The Glamox Group is a global organization, with approx.1300 employees within sales and production in several European countries, as well as in Asia, North and South America. The annual turnover is NOK 2,5 billion. The Group owns a range of quality lighting brands including Glamox, Aqua Signal, Luxo, Høvik Lys, Norselight and LINKSrechts. Glamox is committed to meeting customer needs and expectations by providing quality products and solutions, service and support.

Main points

- Order intake reached NOK 2,623 mill. (NOK 2,437 mill), an increase of 7.7%
- Revenues reached NOK 2,509 mill. (NOK 2,498 mill), an increase of 0.4%
- Operating profit/margin of NOK 263.1 mill/10.5% compared with NOK 298.5 mill/11.9% in 2015.
- Net profit after tax of NOK 191.1 mill (NOK 214.4 mill).
- The accounts in 2016 were charged NOK 16.7 mill as non-recurring costs related to redundancies and restructuring. Last year included NOK 15.7 mill. as non-recurring costs.
- Positive operational cash flow of NOK 199.6 mill compared with NOK 188.2 mill the previous year.
- All time high number of new product families launched during the year.
- Continued growth in sales of LED products.
- Acquisition of LINKSrechts, a leading (German) company within the Navy segment.
- Proposed ordinary dividend of NOK 1.44 per share.

Key figures

		2016	2015	2014	2013	2012
Total revenue	MNOK	2 508,6	2 498,4	2 221,5	1 997,0	1 827,9
Operating profit/loss	MNOK	263,1	298,5	259,6	202,6	166,7
Profit/loss before tax	MNOK	251,5	293,1	264,9	208,1	163,5
Profit/loss after tax	MNOK	191,1	214,4	193,9	148,5	118,2
Cash flow from operations	MNOK	199,6	188,2	172,3	168,0	141,7
Total profitability	%	20,1	25,9	22,2	16,6	15,0
Equity ratio	%	41,5	39,1	34,4	45,4	46,5
Earnings per share	NOK	2,90	3,25	2,94	2,25	1,79

The lighting company

Our product brands

The Glamox Group owns six international product brands.

GLAMOX

Glamox is a leading lighting brand for professional markets, onshore and offshore, established in 1947. The wide assortment of Glamox products is of superior technical quality, and available for a wide range of applications – including challenging environments.

aqua signal

Aqua Signal has been delivering top-of-the-line marine lighting solutions since before the age of electricity, providing lighting products designed and manufactured to meet all relevant standards for quality and performance at sea.

NORSElight

Norselight delivers added safety and security by providing quality search light systems that work reliably even under the most extreme conditions.

HØVIK LYS

Since 1876, decorative Høvik Lys lighting products, made with high quality materials and with exclusive finishing details, have graced elegant buildings and vessels with their pleasant light.

LUXO

For more than 75 years Luxo has designed mainly arm-based innovative, ergonomic lighting products. Luxo products improve lighting conditions, taking particular care of individual needs.

LINKS rechts

LINKSrechts offers a comprehensive range of naval LED lighting systems, including design, integration and programming. The product range consists of specialized lighting products for all naval applications, including naval aviation.

Our mission

To be the preferred supplier of lighting solutions to defined market segments.

Our values

Customers

We value the importance of understanding customer needs and expectations.

Cooperation

We team up with customers and colleagues to find the best solutions.

Commitment

We are committed to deliver as promised, within the agreed time frame, and with the right quality.

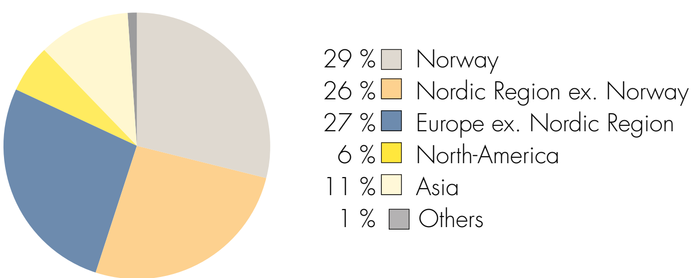
Quality

We deliver the product quality and level of service and support that our customers expect from us.

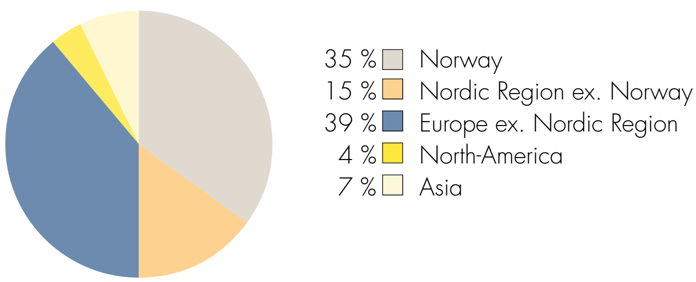
Ethics

We treat customers, colleagues, suppliers and all others with respect and dignity. We respect laws and regulations, and take pride in our consideration for the environment.

Revenues by market: 2 509 MNOK



Man-years (average) by market: 1 303



Group organisation

The Group's operations are divided between three independent divisions: Professional Building Solutions, Global Marine & Offshore, and Sourcing, Production and Logistics. Each division is responsible for its group of companies.

Professional Building Solutions

Professional Building Solutions concentrates on the European market for land-based lighting. The division offers the market total solutions within several lighting concepts for office and commercial buildings, industrial buildings, educational establishments, retail and shopping centres, hotels and restaurants and health institutions.

Global Marine & Offshore

Global Marine & Offshore is one of the world's leading suppliers of light fittings to the global marine and offshore market. The division offers the market total solutions within the following segments: Commercial marine, cruise & ferries, offshore, recreational boats, navy and industry lighting.

Sourcing, Production and Logistics

Sourcing, Production and Logistics has a key role in the Glamox value chain. Responsibilities include order handling, procurement, manufacturing of goods, warehousing and distribution. The division operates production units in seven different locations in Europe and China. Its prime objective is to serve the sales units and their customers with excellent services and products.

President & CEO
Rune Marthinussen

Accounting, finance, HR & IT
Thomas Lindberg
CFO/Senior Vice President

Business Development
Håkon Helmersen
Director

Professional Building Solutions
Knut Rusten
Senior Vice President

- **Glamox Luxo Lighting** – Norway
- **Glamox Dsitributor Sales** – Norway
- **Glamox Luxo Lighting AB** – Sweden
- **Glamox Luxo Lighting A/S** – Denmark
- **Glamox Luxo Lighting Oy** – Finland
- **AS Glamox HE** – Estonia
- **Glamox Luxo Lighting GmbH** – Germany
- **Glamox Ireland Ltd.** – Ireland
- **Glamox Luxo Lighting Ltd.** – United Kingdom
- **Glamox B.V.** – The Netherlands
- **Luxo Corporation** – USA

Global Marine & Offshore
Jan Berner
Senior Vice President

- **Glamox International** – Norway
- **Glamox Aqua Signal GmbH** – Germany
- **LINKSrechts Ingenieurgesellschaft mbH** – Germany
- **Glamox B.V.** – The Netherlands
- **Glamox Aqua Signal Corporation** – USA
- **Glamox Far East Pte. Ltd.** – Singapore
- **Glamox Canada Inc.** – Canada
- **Suzhou Glamox Trading Co. Ltd** – China
- **Glamox Korea Co. Ltd.** – South Korea
- **Glamox Brasil Iluminação LTDA** – Brasil

Sourcing, Production and Logistics
Meelis Peterson
Senior Vice President

- **Glamox Production Molde** – Norway
- **Luxo Production Kirkenær** – Norway
- **Glamox Luxo Lighting AB** – Sweden
- **Glamox Production GmbH & Co. KG** – Germany
- **AS Glamox HE** – Estonia
- **Glamox (Suzhou) Lighting Co. Ltd** – China

Main points from the divisions

Professional Building Solutions (PBS)

The division offers total solutions within the following segments: Office and commercial buildings, industrial buildings, educational establishments, health institutions, retail and shopping centers, hotels and restaurants.

Office and commercial buildings

Industrial buildings

Educational establishments

Health institutions

Retail and shopping centers

Hotels and restaurants

The Professional Buildings Solutions (PBS) division is organized as an independent unit of operations within the Glamox Group, with separate budget and profit responsibility. In addition to having sales and marketing responsibilities toward defined market segments, the division is responsible for product development and product management of own products. These products are manufactured by production units organized in Division SPL.

In most markets in which PBS is represented, the sales units operate under the name of Glamox Luxo Lighting. Exceptions are Ireland, Estonia and Netherland, where we only use the Glamox name, and the United States, where we only use the Luxo name.

PBS develops and sells lighting solutions for land-based market segments. The most

important markets served by this division are Central and Northern Europe, as well as the United States for arm-based task lights and illuminated magnifiers. We also operate in the Middle East and Australia in collaboration with distributors. In several of PBS' markets, electric heaters are also marketed and sold under the brand name Glamox Heating and produced by Adax AS. PBS has three strong brands: Glamox, Luxo and Høvik Lys.

PBS has expanded its product range and geographic representation in recent years through acquisitions and product development. The Division offers a wide range within decorative general lighting and industrial lighting, special fittings adapted to all the segments we operate in, plus arm-based task lights and illuminated magnifiers. Because of the strong focus within the market on a change in technology to LED, we have focused more and increased our skills base within the use of LED-technology, to the extent where we now offer LED-based products within almost all segments and areas of use.

PBS has its own sales companies in Norway, Denmark, Sweden, Finland, Estonia, Great Britain, Ireland, Germany, the Netherlands and the United States. We are represented through distributors in the other markets.

The main market segments are office and commercial building, industrial building, educational building and health institution sectors. Lighting solutions are also delivered to hotels, shops/shopping centers and for outdoor use. Glamox is the market leader in professional lighting in Norway and holds strong market positions in the other Nordic countries, as well as in Estonia.
We serve all important links in the sales and distribution chain, including architects, consultants, building owners, developers, installation contractors and, in some countries, electrical wholesalers. Our table-lamps are also sold through office furniture dealers. In all markets, there is a strong focus on increased support of the descriptive element (i.e. architects and consultants) in order to be described in projects.

In 2016 PBS had total revenues of NOK 1,700 m compared with NOK 1,585 m in 2015, a growth of 7 %. At year-end 2016, the number of man-labour years in PBS was 292, of which 67 % were employed in businesses outside Norway.

Main points from the divisions

Global Marine & Offshore (GMO)

The division offers total solutions within the following segments: Commercial marine, cruise & ferries, offshore, recreational boats, navy and industry.

Commercial marine

Cruise & ferries

Navy

Recreational boats

Offshore Energy

Onshore Energy and Petrochemical Industry

The Global Marine & Offshore (GMO) division is organized as an independent unit of operations within the Glamox Group, with separate budget and profit responsibility. In addition to having sales and marketing responsibilities toward defined market segments, the division is responsible for product development and product management of own products. These products are manufactured by production units organized in Division SPL and in the division's Canadian production unit.

GMO is one of the world's leading suppliers of lighting solutions to the global marine and offshore markets. The division has six strong international brands: Aqua Signal, Glamox, Høvik Lys, Luxo, Norselight and LINKSrechts.

The division is represented on all continents through its own sales companies, agents and distributors. The division has sales units

in Norway, Germany, Finland, England, the Netherlands, Singapore, China, United States, Canada, Korea and Brazil. In addition the division has the responsibility for our production unit in Canada.

GMO delivers a wide range of comprehensive lighting solutions to various markets and market segments. The division has a strong focus on product development and has over the last years launched several new product families based on LED-technology. This includes LED-based EX-products to the oil and gas industry.

GMO operates within commercial marine, cruise and ferries, offshore, recreational boats, navy and industry segments. The division also supplies onshore projects in certain regions. The division is the global leader in the commercial marine and the cruise & ferry sectors. GMO also holds a strong position in the offshore segment with regard to floating installations in both Europe and Asia. Further, GMO has a strong position in the recreational boat sector in Europe and the United States, particularly within navigation lights.

Glamox acquired 100% of the shares in the company, LINKSrechts Ingenieurgesellschaft mbH, in June 2016. LINKSrechts was founded in 1994 and produces advanced LED lighting systems for the military marine segment all over the world. LINKSrechts supplies Helicopter Visual Landing Aid Systems (HVLAS), Advanced Submarine Lighting Systems (ASLS) and Advanced Naval Lighting Systems (ANLS) for naval surface ships. All lighting products from LINKSrechts is based on the latest LED-technology.

Our strategy is to expand the business within the military marine segment. With regard to LINKSrecht's leading technology, system solutions and customer relationships within this segment, the acquisition provides a good platform to support the Group's growth ambitions. Glamox and LINKSrechts will jointly provide complete lighting solutions to the military marine segment throughout the world.

The most important factor in terms of demand for our products is the new construction of ships and offshore installations. In 2016 GMO had total revenues of NOK 807m compared with NOK 928m in 2015, a decrease of 13 %. At year-end 2016, the number of man-labour years in GMO was 179, of which 84 % were employed in businesses outside Norway.

Main points from the divisions

Sourcing, Production and Logistics (SPL)

The division operates production units in seven different locations, and is responsible for procurement, manufacturing, warehousing and distribution within the Glamox Group.

The Sourcing, Production and Logistics (SPL) division is organized as an independent unit of operations within the Glamox Group, with separate budgeting and profit responsibilities.

The division has a key role in the Glamox value chain. Responsibilities include order handling, procurement, manufacturing of goods, warehousing and distribution. The division operates production units in six different locations in Europe and one in China. Its prime objective is to serve the sales units and their customers with competitive products, good delivery capability, high quality and good technical support.

The production units within Division SPL are product owners of our Group developed products. They are responsible for the production of five product brands in the Glamox Group: Aqua Signal, Glamox, Høvik Lys, Norselight and Luxo; all of them international product brands with well-earned reputation.

The Glamox Group is a leading supplier of lighting solutions, providing products of superior technical quality that work reliably even under challenging conditions. The products are manufactured and certified in accordance with relevant quality and environmental standards.

Because of the high demands placed on the quality and durability of our products, the Glamox Group operates modern assessment and testing laboratories in Norway and Germany for the simulation of a wide variety of environmental conditions. The simulations performed in our laboratories aim to test our products in the most realistic conditions possible.We do this so that we will know exactly what our products can endure, in order to provide them with the correct national and international classifications and certifications. Our laboratories are certified in accordance to the requirements of ISO 9001, ATEX and IECEx.

As part of the Group's business concept, Glamox will position itself as an environmental company through systematic and long-term efforts. The Group's production units at Molde, Kirkenær, Sweden and Estonia are certified in accordance with EN ISO 14001.

At year-end 2016, the number of man-labour years in Sourcing, Production and Logistics was 780. Around 62% of these employees are employed in business units outside Norway.

Annual statement

Main points and key figures

- Order intake reached NOK 2,623 mill. (NOK 2,437 mill), an increase of 7.7%
- Revenues reached NOK 2,509 mill. (NOK 2,498 mill), an increase of 0.4%
- Operating profit/margin of NOK 263.1 mill/10.5% compared with NOK 298.5 mill/11.9% in 2015.
- Net profit after tax of NOK 191.1 mill (NOK 214.4 mill).
- The accounts in 2016 were charged NOK 16.7 mill as non-recurring costs related to redundancies and restructuring. Last year included NOK 15.7 mill. as non-recurring costs.
- Positive operational cash flow of NOK 199.6 mill compared with NOK 188.2 mill the previous year.
- All time high number of new product families launched during the year.
- Continued growth in sales of LED products.
- Acquisition of LINKSrechts, a leading (German) company within the Navy segment.
- Proposed ordinary dividend of NOK 1.44 per share.

Glamox is a Norwegian industrial group that develops, produces and distributes professional lighting solutions for the global market. Glamox operates in several European countries, as well as in Asia, USA, Canada and Brazil. The group is organised with Glamox AS as parent company. The head office is in Oslo.

In 2016, Glamox had order intake of NOK 2,623 mill compared to NOK 2,437 mill in 2015, an increase of 7.7%. Revenues were NOK 2,509 mill, compared to NOK 2,498 mill in 2015, an increase of 0.4%. A weaker Norwegian krone affected revenue in the Group positively compared to the previous year.

Market development within the land-based division, Professional Building Solutions, is governed by activities within new-build, modernisation and commercial building. Most of this division's main markets showed growth in 2016. This continues to be primarily due to the switch to LED. Market trends within the maritime and offshore-related division (Global Marine & Offshore) are dictated by the level of activity within new-build, refurbishment and rehabilitation of all types of maritime vessels and offshore installations. Particularly in the first half of 2016, the division experienced a significant decrease in demand for products for the oil and gas segment compared with 2015. The global market for merchant vessels suffered a downturn in demand in 2016. On the other hand, the market for cruise and ferries, military marine and pleasure boats has been good.

In terms of comparable operations, the Group experienced a currency-neutral decrease in revenues of 3.4%. The main reason was a downturn in revenue from the oil and gas segment, and to some degree the commercial marine segment. The Group experienced growth in all other segments. The Group also grew in all main regions with the exception of Asia, where the oil and gas segment traditionally accounts for a large share of the revenue. Growth was particularly good in Northern Europe and the rest of Europe. Throughout 2016, the sales team was further reinforced on several markets. Sales of LED-based products continued to show growth in 2016.

In 2016, the Group had a high level of activity in product development and several new product series were launched. All new product families are now launched with LED technology.

The Group's operating profit was NOK 263.1 mill compared to NOK 298.5 mill in 2015. Operating margin was 10.5% compared to 11.9% in 2015. The decrease in the operating profit of 13.5% is primarily due to a drop in currency-neutral revenue, and lower contribution margin. The accounts in 2016 were charged NOK 16.7 mill as non-recurring costs related to redundancies and restructuring within the business. An extraordinary bonus for all employees of NOK 15.7 mill was charged to the accounts in 2015. The company acquired, LINKSrechts, made a profit in 2016 after amortisations.

The Group had net financial costs of NOK 11.6 mill in 2016 compared to NOK 5.4 mill in 2015. Increased net financing costs are due to currency effects during the period.

Profit before tax was NOK 251.5 mill, compared with NOK 293.1 mill the

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Annual statement

previous year. Profit after tax was NOK 191.1 mill compared to NOK 214.4 mill the previous year.

As of 31.12.2016, the Group has a tax deficit for carrying forward of NOK 33 mill (NOK 30 mill), and an untaxed profit of NOK 79 mill (NOK 279 mill).

The Group once again generated a strong positive cash flow in 2016. Cash flow from operations (operational and investments) was NOK 199.6 mill, compared with NOK 188.3 mill in 2015. Despite the weaker results from operations and higher investment in fixed assets and acquisitions, a good reduction in working capital contributed to the increase in cash flow. Investments in fixed assets and acquisitions total NOK 112.0 mill. The investment level in 2015 was NOK 61.4 mill.

Revenues in the parent company Glamox AS were NOK 1,379 mill, compared to NOK 1,433 mill in 2015. Operating profit was NOK 70.8 mill compared to NOK 104.3 mill in 2015. The decrease is due to lower revenues, higher material and purchasing costs as a result of the weakened Norwegian krone and higher operating costs. Profit before tax was NOK 417.8 mill, compared to NOK 126.8 mill in 2015. The increase is primarily due to higher dividend from subsidiaries. The company has also higher foreign exchange earnings as most are unrealised gains.
In accordance with the Group's currency policy, the parent company takes currency exchange positions to match the currency exposure arising at group level, primarily as a result of equity values in subsidiary companies.

The Board is satisfied that the Group in 2016 achieved its second best profit ever, through nearly 70 years of history, despite difficult markets within the oil and gas segment. The Board wishes to thank all Glamox employees for their contribution to the good result.

Capital and liquidity

The closing balance as at 31.12.2016 was NOK 1,446 mill, compared with NOK 1,327 mill as at 31.12.2015.

At the turn of the year, the Group's equity capital was NOK 600 mill. The equity ratio was 41.5%. Glamox AS had equity capital of NOK 429 mill and an equity ratio of 30.4%.

Cash flow from operations was NOK 199.6 mill. In 2015, it was NOK 188.3 mill.

At the turn of the year, the liquidity reserve amounted to NOK 538 mill, compared with NOK 487 mill the previous year.
The Group's net interest-bearing deposits as at 31.12.2016 were NOK 226 mill compared to NOK 126 mill in 2015.

The Board believes the company's equity and liquidity as of 31.12.2016 to be satisfactory, also after including provision for a dividend of NOK 1.44 per share, corresponding to total dividend distribution of NOK 95.0 mill.

The accounts were prepared based on the assumption of continued operations.

Financial risk

The Group is exposed to credit risk, interest risk and exchange risk in its day-to-day business operations and aims to keep risk at an acceptable level in these areas. The underlying loan contracts are instrumental for managing interest risk. Currency risk is managed through internal invoicing rules, matching income against expenses in the same currency and loans against equity in the same currency, as well as the use of financial instruments. For more detailed information, see note 18 in the Annual Accounts.

Development by division

The Group is organised into three divisions. The Professional Building Solutions (PBS) division is responsible for lighting solutions for the onshore market and the Global Marine & Offshore (GMO) is responsible for lighting solutions for the maritime and offshore-related markets, plus onshore plants within oil and gas. Both divisions have total responsibility for their markets, including sales, product development and product management. The third division, Sourcing, Production and Logistics (SPL) is responsible for the activities indicated by its name.

Professional Building Solutions (PBS)

This division achieved an order intake in 2016 of NOK 1,794 mill (NOK 1,598 mill), an increase of 12.2% compared to 2015. In the same period, turnover was NOK 1,700 mill (NOK 1,585 mill), which is an increase of 7.3% on the year before.

The most important markets served by this division are Central and Northern Europe, as well as the United States for arm-based table and illuminated magnifier lamps. Most of the main markets showed growth in 2016. This is primarily due to strong growth in LED products and increased interest in energy-saving solutions. The increase in order intake and revenues are higher than the market average and is due to PBS' success in increasing market share in several markets.

The division invested further in more sales resources for certain markets in 2016, and undertook even more product development projects. PBS is now launching new product families more frequently, but notes at the same time that the life time is getting shorter than previously. This is due to new technology that constantly becomes available.

The lighting industry in Europe is highly fragmented, with production overcapacity. The market is characterized by relatively few large, international companies, a lot of nationally-based companies and a stream of new companies entering the market (usually with production in eastern Europe or Asia) which only sell LED technology. Economies of scale in the production of LED components have yielded lower costs, which have resulted in pressure on prices for lighting solutions.

The green shift is the main driving force behind investment in new or refurbishment of old lighting installations, with the opportunity to reduce energy consumption and lifetime costs. Right lighting can give significant savings in energy consumption in commercial buildings. Increasingly, new and energy-friendly solutions are combined with user-friendly lighting control systems.

New lighting solutions also offer the possibility of increasing comfort and productivity in commercial buildings. PBS delivered a number of systems featuring technology that allows adjustment of light output and colour temperature (Human Centric Lighting - HCL) in 2016. This has shown advantages through improved ability to concentrate and better daily rhythm for users. We have worked closely with sleep researchers from the University of Bergen on some of these projects.

Global Marine & Offshore (GMO)

This area of operation had order intake of NOK 822 mill (NOK 830 mill), a decrease of 1.0%. On comparable business and currency neutral the decrease is 5.6%. Revenues were NOK 807 mill (NOK 928 mill), a decrease of 13.0%. On comparable businesses and currency neutral the decrease is 19.5%.
The decrease in order intake and revenues

is the result of weak markets within both main segments - oil and gas and commercial marine. Very low investment and new-order levels for offshore rigs and platforms have been seen in the last few years. Orders for new merchant ships have also been low in recent years, and especially in 2016. The difficult market situation has been partially relieved by the building of special purpose ships and LNG/chemical tankers plus RoRos with a high proportion of LED solutions included, which gives higher value to the light packages. The division has also started deliveries to the Johan Sverdrup project, a framework agreement for which was signed in 2015. Deliveries will also be made to this project in 2017.

The biggest drop in new orders has been for the yards in Korea, Singapore and China. However, the division has achieved an increase in deliveries to yards and other customers in Europe compared to last year. GMO also recorded an increase in order intake and turnover for the Navy segment (military marine).

Glamox acquired 100% of shares in German company LINKSrechts Ingenieurgesellschaft mbH in June 2016. See the separate section in the annual statement for more details.

Sourcing, Production and Logistics (SPL)
The SPL division is responsible for the purchase of raw materials and trading products, production of Group developed products and for logistics throughout the Group. It operates production units at six different sites in Europe and one in China. Two of the European sites are in Norway, two in Germany, one in Sweden and one in Estonia. The division sells almost all of its products through the two sales divisions GMO and PBS.

Price pressure on the Group's products is heavy, and to maintain our competitive edge, the processes of making savings on materials and rationalising production have been given high priority. In addition to the major changes in the value chain caused by LED technology, there are engineering and logistics problems involved in handling such frequent changes in technology for vital components used in our products.

The division cut its workforce in 2016 and adapted production capacity at its plants in Norway and Germany. This was in response to the drop in demand for products from the oil and gas and commercial marine segments. The assembly area at our production facility in Estonia has been expanded by one-third during the year. In 2017 we will celebrate 25 years of successful production in Estonia.

Acquisition of LINKSrechts
Glamox acquired 100% of the shares in German company LINKSrechts Ingenieurgesellschaft mbH in June 2016. The company has been consolidated into the Group's accounts as from June 2016. It is based in Seevetal, near Hamburg in Germany. LINKSrechts was founded in 1994 and produces advanced LED lighting systems for the military marine segment all over the world. It supplies Helicopter Visual Landing Aid Systems (HVLAS), Advanced Submarine Lighting Systems (ASLS), and Advanced Naval Lighting Systems (ANLS) for naval surface ships.

The company has 24 employees and annual turnover of EUR 5 million (2015). Uwe Hoven, the founder and former owner of LINKSrechts continues as Managing Director of the company.

Our strategy is to expand the business within the military marine segment. With regard to LINKSrecht's leading technology, system solutions and customer relationships within this segment, the acquisition provides a good platform to support the Group's growth ambitions. Glamox and LINKSrechts

will jointly provide complete lighting solutions to the military marine segment throughout the world.

Glamox and the external environment

As part of the Group's business concept, Glamox will position itself as an environmental company through systematic and long-term efforts.

The Group's production units at Molde, Kirkenær, Sweden and Estonia are certified in accordance with EN ISO 14001.

The environmental aspects are an important part of our product development. Through energy-effective products and solutions, we aim to make the most of market opportunities, such as the EU energy directive for the construction industry. A broad range of products enables the Group to offer high-quality and energy-efficient lighting solutions within the majority of application areas.

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Human resources and working environment

The number of man-labour years was 1,277 as of 31.12.2016, compared to 1,319 the previous year. The number of man-labour years in Norway comprised 65% (64%). At year-end, the number of man-labour years in Glamox AS was 449, compared to 476 in 2015.

The working environment in the Group units is satisfactory, and there is good collaboration with employee representatives.

The sick leave rate at Glamox AS was 4.9% in 2016, compared to 6.2% in 2015. The decrease was good news, and important to maintain our competitiveness at our Norwegian units. New routines for following up sick leave were introduced in late 2015, and a company doctor has been employed on a share basis. This was a measure we were able to gain full-year effect of in 2016. The work to reduce the sick leave will continue to figure on our agenda. Sick leave in the Group's other units is lower overall than in the Norwegian units.

Three accidents were reported that led to days off in Glamox AS in 2016, compared to six in 2015. H-value was 3.9 in 2016, compared to 6.6 in 2015. H-value is defined as the number of accidents and subsequent lost working days per 1 million working hours. Even though the number of reported injuries has fallen, the ambition is still zero. Focus on a safe working environment is a continuous process.

Report on gender equality

At the turn of the year, the number of employees in Glamox AS was 508 (523). The percentage of women was 35% (34%).

There were 43% (42%) women among operators. The percentage of women in white collar jobs was 25% (24%) and the number in management positions with personnel responsibility was 21% (23%). Company policy is that the same skills and length of service are rewarded on an equal basis regardless of gender. Women and men in all job categories are given the same opportunities to qualify for all types of assignments and promotion prospects.

The percentage of women among board members elected by shareholders was 40%. The percentage of the board members elected by employees was 33%.

Efforts to advance the purpose and intention of the anti-discrimination act and anti-discrimination and accessibility act

At present, Glamox AS has employees originating from many nationalities. At the end of the year, the company had employees originating from 37 countries. The company strongly believes in providing the opportunity to qualify for all types of work and opportunities for promotion regardless of ethnic background.

Annual statement

Fees and remunerations
See note 5 to the Annual Accounts for details on fees and remuneration for the Board, CEO and auditor.

Shareholder situation
Please see note 12 to the Annual Accounts for information on the shareholder situation.

Proposal for allocation of profit
The Board proposes that the year's profit in Glamox AS of NOK 389.256 be allocated as follows:
Transferred to other equity capital:
NOK 294.232k
Provision for ordinary dividend of
(NOK 1.44 per share):
NOK 95,024k

Outlook
For the year as a whole, the group expects profit to be somewhat ahead of 2016.

Demand for lighting solutions on PBS' main markets is expected to be somewhat better than in 2017. The growth in the share of LED products is slowing down, combined with continued strong pressure on prices. However, the installed base continues to be low and represents opportunity.

We expect a slight downturn in our main markets for GMO in 2017. The prospects of weaker market growth within merchant ships and continued low activity within oil and gas are the reasons for this assessment. Increased sales focus in other areas, such as higher value from light packs will help compensate for the weaker market growth within our main segments.

The lighting industry continues to go through huge changes as a result of changes in LED technology. The Glamox Group has developed a healthy position in the lighting market over the years. We will continue to strengthen and improve this position and through our strong application knowledge, will develop and supply new solutions for our customers globally.

The Glamox Group's long-term strategy continues to focus on profitable organic growth and financial strength.

Glamox still has extensive production in Norway. A weak Norwegian krone provides postive effects for our Norwegian production companies.

Oslo, 15. May 2017

Bjørn Arnestad
Chairman of the Board

Torfinn Kildal

Kristine Landmark

Heidi Marie Petersen

Jarle Roth

Henny Eidem

Espen Ytterstad

Vidar Venås

Rune E. Marthinussen
Group CEO

Profit and loss account

Parent				Group	
01.01 - 31.12			Note	01.01 - 31.12	
2016	**2015**	**NOK thousands**		**2016**	**2015**
1 272 707	1 329 802	Sales revenue	2	2 471 575	2 463 555
105 837	103 117	Other operating revenue	2	37 026	34 805
1 378 544	**1 432 919**	**Total revenue**		**2 508 602**	**2 498 360**
830 527	821 521	Raw materials and consumables used	4	1 185 420	1 151 074
336 493	371 927	Payroll and related costs	3/5	755 709	751 840
19 445	21 574	Depreciation of fixed assets	7	51 912	45 578
121 281	113 637	Other operating expenses	3/5	252 434	251 375
70 799	**104 260**	**Operating profit/loss**		**263 126**	**298 494**
318 767	65 924	Dividend and group contribution from subsidiaries	16		
2 728	2 289	Interest income from other group companies			
38 273	5 311	Other financial income	6	15 670	17 932
-12 800	-51 032	Other financial expenses	6	-27 319	-23 316
417 767	**126 751**	**Profit/loss before tax**		**251 477**	**293 110**
-28 511	-17 527	Tax	11	-60 373	-78 678
389 256	**109 224**	**Profit/loss after tax**		**191 104**	**214 432**
389 256	**109 224**	**Profit/loss for the year**		**191 104**	**214 432**

Allocation of profit/loss for the year

95 024	98 983	Proposed dividends	12	95 024	98 983
294 232	10 241	Transfered to (+)/from (-) other equity	12	96 030	115 337
		Minority share	12	50	112
389 256	**109 224**	**Total allocation**		**191 104**	**214 432**

Cash flow statement

Parent 01.01 - 31.12 2016	Parent 01.01 - 31.12 2015	NOK thousands	Note	Group 01.01 - 31.12 2016	Group 01.01 - 31.12 2015
		Cash flow from operating activities			
417 767	126 751	Profit before tax		251 477	293 110
-17 385	-28 848	Taxes paid		-45 277	-48 960
		Profit/loss on sale and fixed assets			
19 445	21 574	Depreciation	7	51 912	45 578
9 246		Writedown of shares and loans to subsidiaries			
968	2 745	Changes in inventory		53 852	-48 087
8 748	-23 280	Changes in accounts receivables		4 343	-13 780
4 276	21 791	Changes in account payables		-7 782	21 500
-541	-5 051	Changes in pension scheme assets/liabilities		-434	-4 337
-246	3 507	Changes defined benefit plan recognised directly in equity		-542	3 353
-6 834	8 459	Effect of change in exchange rate		-1 728	-1 232
-275 362	-71 197	Changes in other balance sheet items		4 468	3 184
160 082	**56 451**	**Net cash flow from operating activities**		**310 289**	**250 329**
		Cash flow from investing activities			
-27 621	-17 948	Purchase of tangible fixed assets and intangible assets		-50 603	-44 396
-766	-813	Purchase of investments in shares and joint ventures			
-79 426	-20 325	Purchase of shares in subsidiary		-61 429	-17 045
5 645	-3 064	Payment of loan to group-companies			
		Payment regarding long term receivables			-643
		Proceeds from sale of other investments		1 301	
-102 168	**-42 150**	**Net cash flow from investing activities**		**-110 731**	**-62 084**
		Cash flow from financing activities			
19 536		Proceeds from issuance of new long-term debt		20 613	
-18 583	-18 364	Repayment of long-term loans		-18 583	-44 258
-98 983	-49 492	Payment of dividends to share holders		-98 983	-49 492
		Effect of change in exchange rate		-7 297	7 686
113 657	135 251	Change in transfered cash from common cash pool arrangement within the Group			
15 627	**67 395**	**Net cash flow from financing activities**		**-104 250**	**-86 064**
73 541	**81 696**	**Net change in cash and cash equivalents**		**95 308**	**102 181**
233 365	**151 668**	**Cash and cash equivalents 01.01**	**1/14/15**	**284 766**	**182 585**
306 906	**233 365**	**Cash and cash equivalents 31.12**	**1/15**	**380 074**	**284 766**

Assets

Parent 31.12 2016	Parent 31.12 2015	NOK thousands	Note	Group 31.12 2016	Group 31.12 2015
		Fixed assets			
		Intangible fixed assets			
		Research and development	7		
		Goodwill	7/17	35 099	13 666
15 072	15 534	Deferred tax assets	11	16 523	17 017
		Other intangible assets	7	54 879	6 838
15 072	**15 534**	**Total intangible fixed assets**		**106 501**	**37 522**
		Tangible fixed assets			
54 417	60 791	Land, buildings and other property	7/13	115 302	123 487
48 164	34 439	Machinery and plant	7/13	101 767	87 858
13 732	12 909	Fixtures and fittings, tools, office equipment etc.	7/13	39 895	38 616
116 314	**108 139**	**Total tangible fixed assets**		**256 965**	**249 961**
		Financial fixed assets			
200 356	126 940	Investments in subsidiaries	8/13/17		
70 646	78 772	Loans to group companies	9/14		
115	115	Investments in shares		204	206
		Other long term receivables	9	2 312	3 591
271 117	**205 827**	**Total financial fixed assets**		**2 516**	**3 797**
402 503	**329 499**	**Total fixed assets**		**365 982**	**291 279**
		Current assets			
129 822	130 790	Inventory	4/13	369 307	412 994
		Debtors			
201 090	209 838	Accounts receivable	13/14	298 096	294 638
368 398	103 317	Other receivables	14	32 169	43 134
569 488	**313 155**	**Total receivables**		**330 265**	**337 771**
306 906	233 365	Cash and cash equivalents	14/15	380 074	284 766
1 006 216	**677 309**	**Total current assets**		**1 079 645**	**1 035 531**
1 408 718	**1 006 808**	**Total assets**		**1 445 627**	**1 326 810**

Equity and liabilities

Parent 31.12 2016	Parent 31.12 2015	NOK thousands	Note	Group 31.12 2016	Group 31.12 2015
		Equity			
		Paid-in capital			
65 989	65 989	Share capital	12	65 989	65 989
27 253	27 253	Share premium reserve	12	27 253	27 253
93 242	**93 242**	**Total paid-in capital**		**93 242**	**93 242**
		Retained earnings			
335 665	41 617	Other equity	12	506 452	425 211
335 665	**41 617**	**Total retained earnings**		**506 452**	**425 211**
		Minority interests	12	153	219
428 906	**134 859**	**Total equity**		**599 847**	**518 671**
		Liabilities			
		Provisions			
		Deferred tax	11	44 927	71 175
22 010	22 551	Pension liabilities	5	25 171	25 604
16 512	17 581	Other provisions		37 916	34 214
38 522	**40 131**	**Total provisions**		**108 014**	**130 994**
		Other long-term liabilities			
111 665	136 837	Liabilities to financial institutions	10/13	111 665	136 837
19 636	100	Other long-term loans	10/17	27 962	8 247
131 301	**136 938**	**Total other long-term liabilities**		**139 627**	**145 084**
		Current liabilities			
179 321	175 045	Accounts payable	14	191 821	197 906
26 268	15 920	Tax payable	11	109 056	43 158
17 115	13 025	Public duties payable		45 282	43 753
95 024	98 983	Dividends	12	95 024	98 983
492 262	391 908	Other current liabilities	5/14/17	156 957	148 262
809 989	**694 881**	**Total current liabilities**		**598 140**	**532 061**
979 812	**871 950**	**Total liabilities**		**845 781**	**808 139**
1 408 718	**1 006 808**	**Total equity and liabilities**		**1 445 627**	**1 326 810**

Oslo, 15 May 2017

Bjørn Arnestad
Chairman of the Board

Heidi Marie Petersen

Jarle Roth

Torfinn Kildal

Kristine Landmark

Henny Eidem

Vidar Venås

Espen Ytterstad

Rune E. Marthinussen
Chief Executive Officer

Notes

Note 1 Accounting principles

Basic policies - incorporation and classification

The annual accounts, which are prepared by the Board and management, must be read in the context of the annual report and the auditor's report.

The annual accounts and consolidated accounts comprise of the profit and loss account, balance sheet, cash flow statement and notes and are prepared in accordance with the Companies Act, the Accounting Act and generally accepted accounting policy in Norway applicable as at 31st of December 2016.

All figures in the annual accounts and notes are shown in NOK thousands unless otherwise specified.

The annual accounts and consolidated accounts are prepared based on the basic principles of historic cost, comparability, continued operation, congruency and prudence. Transactions are incorporated into the accounts at the value of the payment at the time of the transaction. Revenue is incorporated into the profit and loss account when it is earned and costs are grouped with accrued income. Hedging is taken into account. The accounting policies are explained in more detail below.

Subsidiaries and associated companies in parent company

'Subsidiaries' refers to companies in which Glamox normally has a shareholding of more than 50%, and in which the company has a controlling interest. Subsidiaries are incorporated into the company accounts at the lowest of cost price or actual value.

Consolidation policies

Consolidated companies

The consolidated accounts include companies in which the parent company and the subsidiaries directly or indirectly have a controlling interest. The consolidated accounts show the companies' financial position, profit/loss from the year's activities and cash flow as a single financial entity. Controlling interest is achieved through direct or indirect ownership of more than 50% of the voting capital. Uniform accounting policies are applied to all group companies. Recently acquired subsidiaries are incorporated from the time a controlling interest is achieved and sold subsidiaries are incorporated until the time of sale.

In the case of gradual purchase of shareholdings, figures are based on the value of assets and liabilities at the time of incorporation into the Group. Subsequent purchase of shareholdings in existing subsidiaries will not effect the valuation of assets and liabilities, apart from added value in the form of goodwill, which will be analysed for each acquisition.

Elimination of internal transactions

All significant intercompany transactions and intercompany balances are eliminated.

Elimination of shareholdings in subsidiaries

Shareholdings in subsidiaries have been eliminated in the consolidated accounts in accordance with the acquisition method. The difference between the cost price of shareholdings and the book value of net assets at the time of acquisition is analysed and classified under the individual balance sheet items in accordance with actual value. Any further additional cost caused by expectations of future earnings is capitalised as goodwill and depreciated in the profit and loss account in line with underlying conditions and anticipated financial life.

Conversion of foreign subsidiaries

The conversion of foreign subsidiaries from local currency into Norwegian kroner for balance sheet items is done at the closing exchange rate for the financial year while the profit and loss items are converted each month at this months rate. The discrepancy created by converting the company's opening equity and profit for the year at a different exchange rate is posted directly in the Group's equity. The Group use hedge accounting on net investments in foreign subsidiaries. Loan and bank overdraft is used as hedging instrument. In the Group accounts the currency effects from the hedging instrument is booked directly to equity, in the extent that the hedging is efficient.

Minority interests

The minority interests' share of profit after tax and equity are shown as separate items in the profit and loss account and balance sheet.

Associated companies

Associated companies' normally refers to companies in which the Group has a shareholding of 20-50%, in which investment is long-term and strategic and in which the Group has a significant influence. Associated companies are incorporated into the consolidated accounts in accordance with the equity method. For the time beeing the Group does not have any associated companies.

General policies

Assets/liabilities associated with the product cycle and items due within one year from the date of the balance sheet are classified as current assets/current liabilities. Current assets/current liabilities are valued at the lower/higher value of acquisition cost and actual value. Actual value is defined as anticipated future sale price minus anticipated sale costs. Other assets are classified as fixed assets. Fixed assets are valued at acquisition price. Fixed assets that deteriorate are depreciated. If a permanent change in value occurs, the fixed asset is written down. Similar policies are normally applied to liabilities.

When using accounting policies and presenting transactions and other conditions, emphasis is placed on financial reality, not just legal practice. Conditional loss that is significant and quantifiable is entered as expenditure. Division into segments is based on the company's internal management and reporting objectives, as well as risk and income. Figures are presented for business areas as well as geographical markets if geographical categorisation of activities is significant to the assessment of the company. The figures are reconciled with the profit and loss account and balance sheet.

Accounting policy for significant account items

Revenue recognition

Revenue from sale of goods and services is recognised according the fair value of the payment, net after deduction of VAT, returns and discounts. Sale of goods are recognised as revenue when the goods are delivered to the customer and there are no more unfulfilled obligations that can affect the customers acceptance of the delivery. The delivery is

Note 1 Accounting principles (cont.)

fulfilled when the goods are transferred to the customer according to the delivery terms. Experience is used to estimate provisions regarding discounts and returns on the time of delivery. Provision for claims is made. Any sale of services is recognised according to the level of the completion rate of the service.

Dividend from subsidiary to parent company is recognised in Glamox AS in the same periode as the dividend is accrued.

Charging as expenditure/matching
Expenses are grouped with and charged as expenditure at the same time as the income to which the expenses can be linked. Expenses that cannot be directly linked to income are entered as expenditure when they arise. In the case of restructuring and winding up of activities, all associated expenses are entered as expenditure, when the decision of restructuring and winding up is taken.

Unusual, sporadically and significant items
Items that are unusual, occur sporadically and are significant are specified in a separate note.

Intangible fixed assets
Intangible assets that are expected to generate income in the future, such as goodwill in subsidiaries, rights and IT systems, are capitalised. Depreciation is calculated on a straight-line basis over the financial life of the assets. Expenses associated with research and development are entered as expenditure on a continuous basis.

Tangible fixed assets
Tangible fixed assets are entered in the balance sheet at acquisition cost minus accumulated depreciation and write-downs. If the actual value of a piece of equipment is lower than its book value for reasons that are considered to be permanent in nature, the equipment is written down to actual value. Expenses associated with periodical maintenance and repairs to production equipment are periodized. Expenses associated with standard maintenance and repairs are continuously charged as expenditure. Expenses associated with large-scale replacements and updates that significantly extend the lifetime of the equipment are capitalised. Operating equipment is considered a tangible fixed asset if it has a financial life of more than three years. Operating equipment leased under conditions which to all intents and purposes transfer financial rights and obligations to Glamox (financial leasing) are capitalised as operating equipment and entered as a commitment under interest-bearing liabilities at the current value of the minimum current rent. Operational leasing is charged as expenditure at ordinary rental cost and classified as ordinary operating expenses.

Depreciation
Ordinary depreciation is calculated on a straight-line basis over the financial life of the operating equipment, based on historic cost. A similar policy applies to intangible fixed assets. Depreciation is classified as ordinary operating expenses. Leasing costs entered in the balance sheet are depreciated in accordance with the plan and liability is reduced by rent paid minus calculated interest.

Stock and raw materials and consumables
Stocks of products are valued at the lower of cost price on a 'first-in-first-out' basis and anticipated sale price. Cost price for manufactured goods comprises direct materials, direct salary plus a proportion of indirect manufacturing costs, whereas cost price for purchased goods is the acquisition cost. Raw materials and consumables used for the year consist of the cost price of sold goods with a supplement for write-downs in accordance with standard accounting practice at year-end.

Receivables
Receivables are entered at nominal value minus anticipated loss.

Pension commitments and pension expenses
The company has unfunded pension schemes for the CEO and the supplementary pension for former employees. The actuarial future obligations in connection with these agreements are included under pension liabilities in the balance.

Pension schemes for the the Norwegian companies are booked according to the IAS19 standard. Pension commitments are calculated on linear accrual based on assumed number of years worked, discount rate, future return on pension reserves, future adjustment of wages, pensions and national insurance provisions and actuarial assumptions regarding mortality, voluntary redundancy etc. Pension reserves are valued at actual value.

Net pension expense, which is the gross pension cost less the estimated return on pension reserves, are classified as ordinary operating expenses, and are presented along with salary and other benefits. Costs of defined contribution plans are expensed as incurred.

Changes in liabilities due to changes in pension plans, are recognized directly in equity. Changes in liabilities and pension assets due to changes and deviations from assumptions (actuarial gains and losses) are recognized directly in equity.

Deferred tax and tax
Deferred tax is calculated on the basis of temporary differences between accounting and tax values at the end of the financial year. A nominal tax rate is used in the calculation. Positive and negative differences are valued against each other in the same time intervals. Certain items are still valued separately, including added value from acquisitions and pension commitments. Deferred tax asset occurs if there are temporary differences that create tax deductions in the future. Tax for the year consists of changes in deferred tax and deferred tax asset, together with tax payable for the year, adjusted for errors in the previous year's calculations.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents includes cash, bank deposits and other current liquid resources that can immediately and with a minimal currency risk be converted into known cash amounts and with a due date of less than three months from the date of acquisition.

Note 2 Segment information

Sales revenue and other operating revenue divided into geographical areas

		Parent		Group	
		2016	**2015**	**2016**	**2015**
Nordic region	MNOK	976	903	1 373	1 252
Europe, excl. Nordic region	MNOK	227	242	683	662
North America	MNOK	26	28	145	146
Asia	MNOK	136	245	283	408
Other	MNOK	13	14	26	30
Total	**MNOK**	**1 379**	**1 433**	**2 509**	**2 498**

Note 3 Gain on sales of assets/ Other operating expenses/ Restructuring expenses and other special expenses

Effects on Parent

The accounts of 2016 contained non-recurring items of 2,3 MNOK in relation to restructuring and downsizing and are charged labor costs in the accounts. It was no significant non-recurring items in 2015.

Effects on Group

The accounts of 2016 contained non-recurring items of 16,7 MNOK in relation to restructing of several subsidiaries, both sales units and manufactoring units. Non-reccuring items breaks down to 4,2 MNOK in labor costs and 12,5 MNOK in other operating expenses. It was no significant non-recurring items in 2015.

Note 4 Inventory

	Parent		
Inventory	**2016**	**2015**	**Change**
Raw materials	52 892	44 380	8 512
Work in progress	13 228	11 300	1 928
Manufactured goods	63 702	75 110	-11 408
Total inventory	**129 822**	**130 790**	**-968**

	Group		
Inventory	**2016**	**2015**	**Change**
Raw materials	173 291	168 033	5 259
Work in progress	40 616	51 391	-10 775
Manufactured goods	155 400	193 570	-38 171
Total inventory	**369 307**	**412 994**	**-43 687**

Note 5 Salary costs/ Number of man-years/ Remuneration/ Loans to employees/ Pensions etc.

	Parent		Group	
	01.01 - 31.12		01.01 - 31.12	
Payroll and related costs	**2016**	**2015**	**2016**	**2015**
Salaries	274 764	291 163	601 156	587 877
National insurance	40 544	43 201	105 209	101 034
Pension costs	14 286	15 350	29 310	28 430
Other remuneration	6 898	6 513	20 034	18 799
Bonus to all employees *	0	15 700	0	15 700
Payroll and related costs	**336 493**	**371 927**	**755 709**	**751 840**
Average number of man-years	460	505	1 303	1 315

* At Glamox AS's board meeting held on 16.12.2015, the Board decided to pay out a one-off bonus to all employees. The parent company covered all costs relating to the bonus, including bonuses that was paid to employees outside the parent company.

Benefits for CEO - agreements on severance pay, bonuses, etc.
The CEO is a member of the collective contribution pension schemes for salary up to 12G. The company has not a contribution pension scheme related to salary that exceeds 12G. To compensate this, CEO receive a specific salary compensation of 23,95% of ordinary fixed salary that exceeds 12G. Bonus and other remuneration is not included in the basis for calculating the salary compensation.

The CEO has a performance related bonus agreement and the financial statments of 2016 is charged with 829 TNOK as bonus to CEO.

Upon termination from the company, the CEO is entitle to severence pay, without other remuneration, for 12 months.

The chairman of the board has no agreement for severence pay, bonus or profit-sharing. The CEO, chairman of the board, nor any other person in a similar position have been given a loan, or securities been put at their disposition.

Remuneration to CEO in 2016	**Salary**	**Performance-related bonus**	**Pension vesting**	**Other remuneration**
Rune Marthinussen - CEO	2 726	829	47	190

Remuneration to Board members in 2016	**Directors' fees**	**Salaries***	**Other remuneration***
Total remuneration	1 138	1 881	126

* Salaries and other remuneration regards employees' representatives

	Parent		Group	
Auditor	**2016**	**2015**	**2016**	**2015**
Fee for statutory audit	875	869	2 763	2 744
Other attestation services	106	35	239	272
Tax advisory service	213	182	543	900
Other services, beyond audit	28	209	639	313
Total	**1 222**	**1 295**	**4 184**	**4 229**

Of specified fee to auditor for Parent and Group is TNOK 56 in 2016 (TNOK 46 in 2015) further charged to the parent company, Arendals Fossekompani ASA.

Note 5 Salary costs/ Number of man-years/ Remuneration/ Loans to employees/ Pensions etc. (cont.)

Composition of all pensions and pension obligations

The company is obligated to keep an occupational pension scheme pursuant to the Mandatory Occupational Pensions Act. The company has a pension scheme that satisfies the requirements of this Act.

Net pension funds/obligations below are valid for Norwegian companies and some foreign subsidiaries in the Group. Pension cost in most foreign subsidiaries are handled as contribution plans, and the amounts paid out are charged as expenses.

The pension schemes are handled in the accounts according to NRS6/IAS19. Estimated deviations from previous years is charged directly to equity.

The Group's Norwegian companies have contribution pension schemes that include all employees over the age of 20 years old and who hold more than a 20% position.

	Parent 01.01 - 31.12		**Group 01.01 - 31.12**	
Pension expenses	**2016**	**2015**	**2016**	**2015**
Current value of this years pension accrual	0	0	378	820
Interest cost of pension commitments	616	627	658	719
Defined contribution pension scheme	13 670	14 723	28 274	26 892
Net pension expenses/ (income)	**14 286**	**15 350**	**29 310**	**28 430**

	Parent		**Group**	
Reconciliation of pension scheme's financed against sum in balance sheet:	**31.12.16**	**31.12.15**	**31.12.16**	**31.12.15**
Calculated pension commitments	-27 696	-28 986	-34 938	-35 776
Pension reserves	5 686	6 435	9 767	10 171
Net pension liabilities	**-22 010**	**-22 551**	**-25 171**	**-25 604**

Financial conditions:	**2016**	**2015**
Discount rate	2,60 %	2,70 %
Anticipated pension increase	2,25 %	2,25 %
Anticipated change in national insurance base rate	2,25 %	2,25 %

Standard conditions used in the insurance industry form the basis of the actuarial preconditions for demographic factors and retirement. The discount rate as of 31.12.2016 is based on the rate of norwegian corporate bonds (Obligasjoner med fortrinnsrett - OMF).

Note 6 Specification of financial items

	Parent		Group	
	01.01 - 31.12		01.01 - 31.12	
	2016	**2015**	**2016**	**2015**
Other financial income	38 273	5 311	15 670	17 932
Writedown of shares in subsidiaries	-6 765			
Other financial expenses	-6 035	-51 032	-27 319	-23 316
Total other financial items	**25 473**	**-45 721**	**-11 649**	**-5 384**
Of which:				
Currency effect	29 812	-46 444	-12 538	-4 232

The Group use hedge accounting on net investments in foreign subsidiaries. Loan and bank overdraft is used as hedging instrument. In the Group accounts the currency effects from the hedging instrument is booked directly to equity, in the extent that the hedging is efficient.

Note 7 Tangible fixed assets and intangible fixed assets - Parent

	Land/ buildings	**Machinery**	**Fixtures and Fittings**	**Total**
Acquisition costs 31.12.2015	126 326	220 530	49 937	396 793
Additions		22 465	5 155	27 621
Disposals	-3 978		-2 206	-6 184
Acquisition costs 31.12.2016	**122 348**	**242 995**	**52 886**	**418 230**
Accumulated depreciation 31.12.2015	65 535	186 091	37 028	288 654
This years depreciation	6 374	8 740	4 331	19 445
Reversed acc. depreciation and write down due to disposal	-3 978		-2 206	-6 184
Accumulated depreciation 31.12.2016	**67 931**	**194 831**	**39 153**	**301 915**
Balance sheet value at 31.12.2016	**54 417**	**48 164**	**13 732**	**116 314**
Financial life	Up to 20 yrs.	Up to 8,3 yrs.	Up to 8,3 yrs.	
Depreciation plan	Straight-line	Straight-line	Straight-line	

Further the parent company has lease agreements on operating equipment. These lease agreements are regarded as operational leasing and annual lease payment in 2016 amounted to 4,6 MNOK.

Note 7 Tangible fixed assets and intangible fixed assets - Parent (cont.)

	Product development	Other intangible assets	Total
Acquisition costs 31.12.2015	4 532	109 495	114 027
Additions			
Disposals	-946	-20 299	-21 245
Acquisition costs 31.12.2016	**3 586**	**89 196**	**92 782**
Accumulated depreciation 31.12.2015	4 532	109 495	114 027
This years depreciation			
Reversed acc. depreciation and write down due to disposal	-946	-20 299	-21 245
Accumulated depreciation 31.12.2016	**3 586**	**89 196**	**92 782**
Balance sheet value at 31.12.2016	**-**	**-**	**-**
Financial life	Up to 7 yrs.	5 to 10 yrs.	
Depreciation plan	Straight-line	Straight-line	

Note 7 Tangible fixed assets and intangible fixed assets - Group

	Land/ Buildings	Machinery	Fixtures and Fittings	Total
Acquisition cost 31.12.2015	254 949	380 323	172 255	807 527
Currency translation effects with rates at 31.12.2016	-4 988	-10 052	-6 129	-21 169
Acquisition cost 01.01.2016	**249 961**	**370 271**	**166 126**	**786 358**
Additions	847	36 876	12 489	50 213
Disposals	-4 401	-416	-4 800	-9 618
Additions from acquisitions	2 040	991	549	3 580
Reclassification	644	-2 268	1 624	
Acquisition cost 31.12.2016	**249 091**	**405 454**	**175 988**	**830 533**
Acc. depreciation and write downs at 31.12.2015	131 462	292 466	133 639	557 567
Currency effect on balance with rates at 31.12.2016	-2 038	-7 320	-4 668	-14 026
Acc. depreciation and write downs at 01.01.2016	**129 424**	**285 146**	**128 971**	**543 541**
This years depreciation	8 766	19 300	11 097	39 163
Reversed acc. depreciation and write down due to disposal	-4 401	-394	-4 341	-9 136
Reclassification		-365	365	
Acc. depreciation and write downs at 31.12.2016	**133 789**	**303 687**	**136 093**	**573 568**
Balance sheet value at 31.12.2016	**115 302**	**101 767**	**39 895**	**256 965**
Financial life	Up to 20 yrs.	Up to 10 yrs.	Up to 10 yrs.	
Depreciation plan	Straight-line	Straight-line	Straight-line	

The Group has lease agreements on other operating equipment. These lease agreements are regarded as operational leasing and annual lease payment in 2016 amounted to 4,6 MNOK. The Group has lease agreements on some production facilities and the lease payment in 2016 amounted to 5,8 MNOK. At the end of 2016, the duration of these lease agreements is 3-10 years.

Note 7 Tangible fixed assets and intangible fixed assets - Group (cont.)

	Product Development	Goodwill	Other intangible assets	Total
Acquisition cost 31.12.2015	7 206	84 472	139 049	230 727
Currency translation effects with rates at 31.12.2016	-250	-416	-1 433	-2 099
Acquisition cost 01.01.2016	**6 955**	**84 056**	**137 616**	**228 628**
Additions			390	390
Additions from acquisitions	471	26 656	55 558	82 685
Disposals			-20 334	-20 334
Acquisition cost 31.12.2016	**7 426**	**110 712**	**173 230**	**291 368**
Acc. depreciation and write downs at 31.12.2015	7 206	70 805	132 211	210 222
Currency effect on balance with rates at 31.12.2016	-242		-459	-701
Acc. depreciation and write downs at 01.01.2016	**6 964**	**70 805**	**131 752**	**209 521**
This years depreciation	463	4 807	6 934	12 204
Reversed acc. depreciation and write down due to disposal			-20 334	-20 334
Acc. depreciation and write downs at 31.12.2016	**7 426**	**75 612**	**118 352**	**201 391**
Balance sheet value at 31.12.2016	**0**	**35 099**	**54 879**	**89 978**
Financial life	Up to 7 yrs.	10 yrs.	5 to 10 yrs.	
Depreciation plan	Straight-line	Straight-line	Straight-line	

The parent's and the Group's expenses on research and development are charged to profit and loss when they arise. Capitialized expenses regarding product development arised with the acquisitions of Luxo in 2009 and LINKSrechts in 2016.
Goodwill is depreciated over 10 years as the company believes this to be the financial life on which the assessment should be based.
Other intangible assets consist of IT-systems, rights and customer relations from acquisitions.

In the notes, all figures related to 2016 are translated at the currency exchange rates on 31.12.2016. For this reason there will be a discrepancy between depreciation for the year in the notes and depreciation in the accounts, which is calculated based on average exchange rates for the year.

Sum this years depreciation ref. Note 7	51 366
Sum this years depreciation ref. Profit & Loss	51 912
Currency deviation = Deviation average-rate and closing-rate	**-545**

Note 8 Subsidiaries and jointly controlled companies for the parent

Name of company		Share capital	Shareholding in Glamox AS	Book value in Glamox AS TNOK	Group's vouting ownership share	
Glamox Luxo Lighting A/S, Denmark	DKK	4 900 000	100,0%	8 045	100,0%	
Glamox Luxo Lighting AB, Sweden	SEK	600 000	100,0%	1 681	100,0%	
Glamox Luxo Lighting Oy, Finland	EUR	100 000	100,0%	6 082	100,0%	
Glamox Luxo Lighting Ltd., England	GBP	3 500	100,0%	680	100,0%	
Glamox Ireland Ltd., Ireland	EUR	168 768	100,0%	1 787	100,0%	
Glamox Luxo Lighting GmbH, Germany	EUR	682 667	25,0%	21 570	100,0%	
AS Glamox HE, Estonia	EUR	166 140	20,0%	2 723	100,0%	
Glamox Aqua Signal GmbH, Germany	EUR	3 859 690	5,1%	6 344	100,0%	
Glamox Production GmbH & Co. KG, Germany	EUR	5 844 874	0,0%	0	100,0%	
Glamox B.V., The Netherlands	EUR	18	100,0%	20 325	100,0%	
LINKSrechts Ingenieurgesellschaft mbH, Germany	EUR	27 000	100,0%	79 416	100,0%	2)
Glamox Aqua Signal Corporation, USA	USD	100 000	100,0%	443	100,0%	
Glamox Canada Inc., Canada	CAD	2 207 510	100,0%	0	100,0%	
Glamox Far East Pte Ltd., Singapore	SGD	6 100 000	98,7%	23 666	98,7%	1)
Glamox (Suzhou) Lighting Co. Ltd, China	CNY	20 387 517	100,0%	4 050	100,0%	
Suzhou Glamox Trade Co. Ltd, China	CNY	500 000	0,0%	0	100,0%	
Glamox Korea Co. Ltd., South Korea	KRW	775 020 000	100,0%	4 483	100,0%	
Luxo AS, Norway	NOK	1 759 250	100,0%	17 559	100,0%	4)
Luxo Corporation, USA	USD	101	100,0%	0	100,0%	5)
Glamox Brasil Iluminacao LTDA, Brasil	BRL	50 000	100,0%	130	100,0%	3)
Birger Hatlebakks veg 15 AS, Norway	NOK	100 000	100,0%	1 373	100,0%	
Total book value of shares in subsidiaries				**200 356**		

1) Minority interests in Glamox Far East Pte Ltd is 1,27%.

2) During 2016 Glamox AS has brought 100% of the shares in LINKSrechts (Note 17).

3)Minority interests in Glamox Brasil Iluminacao LTDA owns 1 share of totally 50.000 shares, corresponding to 0,002%.

4) Glamox AS has given a group contribution to Luxo AS of TNOK 766 (after tax deduction) in 2016. This is entered as investment in subsidiaries in the financial accoutns of the parent company.

5) During 2016 Glamox AS have written down the value of investments in shares regarding Luxo Corporation (USA) from 6,8 MNOK to 0 MNOK.

Note 9 Receivables due for payment later than one year

Balance sheet value of receivables due for payment later than one year

	Parent		Group	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Receivables, Group Companies	65 088	73 765	-	-
Other long term receivables			2 312	3 591
Total	**65 088**	**73 765**	**2 312**	**3 591**

Note 10 Liabilities due for payment more than five years after financial year end

	Parent		Group	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Liabilities to financial institutions	0	15 500	0	15 500

Note 11 Tax

	Parent		Group	
	01.01 - 31.12		01.01 - 31.12	
	2016	2015	2016	2015
Tax payable calculated as follows:				
Ordinary profit before tax	417 767	126 751		
Permanent differences	-308 699	-66 037		
Change in temporary differences	666	3 822		
Change defined benefit plan recognised directly against equity	-246	3 507		
Basis for tax payable	**109 488**	**68 043**		
Tax rate	25 %	27 %		
Tax payable on profit for the year	**27 372**	**18 372**	**106 607**	**40 256**
Tax for the year is calculated as follows				
Tax payable on profit for the year	27 372	18 372	106 607	40 256
Correction for tax payable for previous years		-108		-108
Change deferred tax/deferred tax assets in balance sheet	462	210	-42 421	30 582
Currency effect regarding change in deferred tax			4 350	-3 429
Change in deferred tax booked directly against equity	62	-947	62	-947
Estimated tax related to currency hedging booked against equity			-8 839	12 324
Withholding tax	615		615	
Total tax for the year	**28 511**	**17 526**	**60 373**	**78 678**
Effect of changed tax rate	628	1 243	628	1 243
Total tax for the year on group level:				
Norwegian companies			28 266	17 255
Foreign companies			32 107	61 423
Total tax for the year			**60 373**	**78 678**
Current tax liabilities consist of:				
Tax payable for the year as above	27 372	18 372	106 607	40 256
- of which paid in fiscal year		-1 134	-17 768	-15 813
- not due for earlier years			21 067	19 740
- tax on group contribution from subsidiaries	-255	-293	-	-
- payment of withholding tax	-849	-1 025	-849	-1 025
Current tax liabilities 31.12	**26 268**	**15 920**	**109 056**	**43 158**

Note 11 Tax (cont.)

	Parent		Group	
Specification of basis for deferred tax:	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
Offsetting differences:				
Fixed assets	-19 705	-18 547	58 927	7 589
Other current assets	-774	5 275	-5 345	529
Liabilities	-20 312	-26 312	13 700	11 374
Net pension reserves/commitments	-22 010	-22 551	-22 010	-22 551
Gross basis for deferred tax:	**-62 801**	**-62 135**	**-45 272**	**-3 059**
Losses carried forward (including tax credit)			-33 151	-30 168
Untaxed profit			78 696	279 413
Basis for deferred tax liabilities/ (assets):	**-62 801**	**-62 135**	**90 817**	**246 187**
Calculated deferred tax assets	**15 072**	**15 534**	**23 738**	**23 758**
- not posted as deferred tax assets in balance sheet			-7 215	-6 741
Net deferred tax assets posted in balance	**15 072**	**15 534**	**16 523**	**17 017**
Deferred tax on intangible assets from acquisition during 2016			-16 667	-688
Calculated deferred tax and posted in balance			**-44 927**	**-71 175**

The Group Management and Board do a continuous evaluation of the amount they consider to be secured to book in the companies' balance sheet, based on the expected future income and realistic tax adaptation. Based on these evaluations, 16,5 MNOK have been booked as deferred tax assets in the balance sheet.

The parent company has write-down on receivables from its subsidiaries. These write-downs are done without any tax reduction effect, but are also not included in the above basis of deferred tax since there is uncertainty if or when the differences will be reversed. Due to changes in the tax legislation in 2011 it is also uncertainty to what extent the company will receive taxable deduction. The change of the write down amount is presented as a permanent difference.

Note 12 Equity and shareholders

Parent	**Share capital**	**Other reserves**	**Other equity**	**Total**
Equity 31.12.2015	**65 989**	**27 253**	**41 618**	**134 859**
Change in equity for the year:				
Profit for the year			389 256	389 256
Proposed dividends			-95 024	-95 024
Pension actuarial gain/loss recognized in equity			-246	-246
Tax on pension actuarial gain/loss recognized in equity			61	61
Equity 31.12.2016	**65 989**	**27 253**	**335 665**	**428 906**

Note 12 Equity and shareholders (cont.)

Group	Share capital	Other reserves	Other equity	Minority interests	Total
Equity 31.12.2015	**65 989**	**27 253**	**425 211**	**219**	**518 671**
Change in equity for the year:					
Profit for the year			191 054	50	191 104
Proposed dividends			-95 024		-95 024
Dividends to minority				-116	-116
Pension actuarial gain/loss recognized in equity			-542		-542
Tax on pension actuarial gain/loss recognized in equity			61		61
Estimated tax related to currency hedging booked against equity			-8 839		-8 839
Conversion differences			-5 468		-5 468
Equity 31.12.2016	**65 989**	**27 253**	**506 453**	**153**	**599 847**

Conversion differenses are presented net in the equity note. This means that conversion differences arising from conversion of foreign subsidiaries of 40,9 MNOK are offset against currency effects from hedging instrument of 35,4 MNOK.

Share capital and shareholder information

Share capital in Glamox AS at 31.12.2016 consist of:	Number	Nominal Value	Balance Sheet
Shares	65 988 668	1	65 989
Total	**65 988 668**	**1**	**65 989**

All shares have the same voting rights.

Ownership structure:

The largest shareholders in Glamox AS at 31.12.2016 were:	Total shares	Shareholding/ Voting
Arendals Fossekompani ASA	49 598 116	75,16 %
Fondsavanse AS	15 160 083	22,97 %
Erik Must	639 388	0,97 %
Rebecka Must	100 000	0,15 %
Jonathan Must	100 000	0,15 %
Nora Must	100 000	0,15 %
Iben Must	100 000	0,15 %
Selma Must	100 000	0,15 %
Lege Fr Arentz Legat C/O DNT Oslo og omegn	59 237	0,09 %
Polleninvest AS NIL	11 353	0,02 %
Total 10 largest shareholders	**65 968 177**	**99,97 %**
Others (161 shareholders)	20 491	0,03 %
Total number of shares	**65 988 668**	**100,00 %**

Shares and options owned by Board members and the Group Management:

Name	Position	Shares
Henny Eidem	Board member	14

Note 13 Assets pledged as security and guarantee liabilities

	Parent		Group	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Secured balance sheet liabilities				
Liabilities to financial institutions	111 665	136 837	111 665	136 837
Balance sheet value of assets pledged as security for secured liabilities:				
Land, buildings etc.	54 417	60 791	88 322	96 548
Machinery and plant			3 802	4 406
Fixture and fittings			16 529	21 421
Rights, IT system			693	1 824
Shares	6 344	6 344		
Inventory	129 822	130 790	216 111	245 410
Accounts receivable	201 090	209 838	156 422	149 222
Total	**391 673**	**407 763**	**481 879**	**518 831**

The same assets that are pledged as security in the parent company are also security for liabilities in the subsidiares.
In the loan agreements, the lenders also have demand to key figures as equity ratio, debt ratio etc.

On Group level, shares in subsidiaries with a total equity of 69,8 MNOK are pledged as security. Book value of the assets in these subsidiaries are also included in the table above.

The Parent company and the Group company has not given guarantees towards third party as of 31.12.2016.
The same applies for 2015.

Note 14 Outstanding accounts against Group companies and associated companies

	Parent	
	31.12.2016	**31.12.2015**
Account receivables on Group companies	79 548	108 305
Short term receivables on Group companies	362 066	91 039
Loans to Group companies	70 646	78 772
Total receivables on Group companies	**231 971**	**278 116**
Account payables to Group companies	67 923	67 386
Other short term liabilities to Group companies	414 273	300 726
Total payables to Group companies	**482 196**	**368 112**

Some subsidiaries participate in the Group's common cash pool arrangement. Legally, it is Glamox AS that is the counter part towards the Bank regarding all accounts included in this arrangement. In the parent company is deposit (overdraft) that subsidiaries have, presented as deposit (overdraft) and liability (receivables) to subsidiaries.

Of Other short term liabilities to Group companies amounted to 414,3 MNOK (300,7 MNOK in 2015) is 413,3 MNOK (299,6 MNOK in 2015) the subsidiaries share of the parent's cash deposit.

Note 15 Cash etc.

	Parent			
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Liquidity reserve	428 923	394 189	538 436	487 186

The liquidity reserve is the total overdraft and revolver facilites of all Group companies, minus all utilised overdraft and revolver facilities, and added all cash on hand and deposits.

The liquidity reserve for the Group is organized in a Multi Currency Cashpool. This implies that the cash deposit of the subsidiaries formally are account receivables towards the parent company, and all participating group companies are jointly responsible for overdraft within the Cashpool.

Accounts with deposit and debt within the cashpool are netted in the Group balance sheet.

Locked-up deposits in Glamox AS and the Group amounted to 13,0 MNOK.

Note 16 Related parties for parent company and Group

Related parties are Group companies, major shareholders, board and senior management in the parent company and the group subsidiaries.
Agreements on remuneration for Group Management appear in note 5.

Transactions between Glamox AS and other group companies

	2016	2015
Sales revenue	398 892	450 233
Services	75 488	73 997
Interest income	2 728	2 289
Dividend from subsidiaries	318 767	65 924
Cost of Goods	369 575	311 741
Group contribution paid	1 021	1 084

No transactions or agreements of significance were entered into with related parties in 2016 or in the financial years for which comparison figures are given, other than standard business transactions with subsidiaries and associated companies

Note 17 Acquisition of subsidiary in 2016

Glamox AS has acquired 100% of the shares in the German company, LINKSrechts Ingenieurgesellschaft mbH.
The date of acquisition was 02.06.2016.

The acquisition cost was 79,4 MNOK inclusive maximum contingent compensation that relate to future financal key figures. The contingent compensation amounts to 27,7MNOK

The company had a turnover of 5,2 MEUR in 2015 and 5,8 MEUR in 2016.

The acquisition resulted in intangible assets of 82,2 MNOK. This was allocated with 7,9 MNOK to trademark, 23,6 MNOK to customer relations, 24,0 MNOK to technology/knowledge and 26,7 MNOK to goodwill. Deferred tax of intangible assets is calculated to 16,7 MNOK.

Note 18 Financial market risk

This note discusses the interest and currency risk the group is exposed to and the methods used in managing the risks.

a) Interest risk and control

The Group aims to follow the general long-term development in the money market interest levels. The effects of short-term fluctuations in money market interest levels can be reduced by managing the loan portfolio's average interest and the timing of the interest payments.

Underlying loan agreements is used to manage the interest risk.

b) Currency risk and control

Operational cash flow (transaction risk)

Glamox is exposed to transaction risk by purchasing and selling in different currencies. Purchase and production expenses are mainly in NOK and EUR, with sales mainly in NOK, EUR, SEK, DKK, GBP, SGD, CAD and USD.

Glamox aims to minimize the risk of changes in the value of net cash flows arising from the short-term fluctuations in exchange rates.

Transaction risk is controlled by means of internal invoicing rules, matching of income and expenses in the same currency and by using financial instruments (forward contracts).

As at 31.12.2016, the Group had forward contracts for both sale and purchase of currencies. Currency sales amounted to 125 MNOK while the currency purchase amounted to 141 MNOK based on 31.12.2016 exchange rates.

Forward contracts that are not recognized in the balance sheet, had a market value of -1,7 MNOK as of 01.01.2016 and -2,0 MNOK as of 31.12.2016.

Equity in foreign subsidiaries

Glamox is exposed to book value changes in equity in foreign subsidiaries. Changes in the value of equity for foreign subsidiaries are partly offset by loans and overdrafts in the same currency.

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To the General Meeting of Glamox AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glamox AS showing a profit of NOK 389 256 000 in the financial statements of the parent company and profit of NOK 191 104 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Other Matters

This audit report replaces our previous audit report as of 22.03.2017.

Oslo, 15 May 2017
KPMG AS

Lone Brith Frogner
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Key figures

			2016	2015	2014	2013	2012
	Sales / Profit						
1.	Total income	MNOK	2508,6	2498,4	2221,5	1997,0	1827,9
2.	Operating profit/loss	MNOK	263,1	298,5	259,6	202,6	166,7
3.	Profit/loss before tax and extraordinary items	MNOK	251,5	293,1	264,9	208,1	163,5
4.	Profit/loss before extraordinary items	MNOK	191,1	214,4	193,9	148,5	118,2
5.	Operating margin	%	10,5	11,9	11,7	10,1	9,1
6.	Gross profit margin	%	10,0	11,7	11,9	10,4	8,9
7.	Net profit margin	%	7,6	8,6	8,7	7,4	6,5
8.	Total profitability	%	20,1	25,9	22,2	16,6	15,0
9.	Return on equity	%	34,2	47,5	38,0	24,6	21,7
	Capital / Liquidity						
10.	Current ratio		2,0	1,9	1,9	2,4	2,4
11.	Cash flow	MNOK	258,1	289,7	236,5	215,1	185,5
12.	Cash flow from activities	MNOK	199,6	188,2	172,3	168,0	141,7
13.	Equity	MNOK	599,8	518,7	384,9	635,2	571,6
14.	Equity ratio	%	41,5	39,1	34,4	45,4	46,5
15.	Investments	MNOK	50,6	44,4	36,8	23,9	23,6
	Share-related key figures						
16.	Earnings per share	NOK	2,90	3,25	2,94	2,25	1,79
17.	Cash flow per share	NOK	3,91	4,39	3,58	3,26	2,81
18.	Book equity per share	NOK	9,09	7,86	5,83	9,63	8,66

Defination of key figures

5) **Operating margin:** Operating margin: Operating profit/loss as a percentage of total sales revenue and other operating revenue.
6) **Gross profit margin:** Profit/loss before tax and extraordinary items as a percentage of total sales income and other operating revenue.
7) **Net profit margin:** Profit/loss before extraordinary items as a percentage of total sales revenue and other operating revenue.
8) **Total profitability:** Profit/loss before tax plus financial costs as a percentage of average total capital.
9) **Return on equity:** Profit/loss after tax as a percentage of average equity.
10) **Current ratio:** Current assets in relation to current liabilities.
11) **Cash flow:** Profit/loss before tax and extraordinary items, minus tax payable, plus ordinary depreciation.
12) **Cash flow from activities:** From cash flow statement. Net cash flow from operating activities plus net cash flow from investing activities.
13) **Equity:** Book equity including minority items and subordinated loans.
14) **Equity ratio:** Book equity including minority items and subordinated loans as a percentage of total capital at 31.12.
15) **Investments:** Investments excluding leased assets.
18) **Book equity per share:** Book equity (not incl. subordinated loans) divided on number of ordinary shares.

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